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Kentucky Energy Retrofit Program

Risk Mitigation Fund Operational Procedures

1. RISK MITIGATION FUND (RMF) COMMITTEE

- 1.1 The fund will be overseen by a committee consisting of the CFO (or CFO's designee) from each participating utility and the president of MACED (or president's designee).

2. ELIGIBLE COSTS

- 2.1 **The following costs may be eligible for recapture from the Risk Mitigation Fund, subject to the further conditions outlined below:**

- A. Interest paid on a location when it is inactive
- B. Outstanding interest and principal balance on the retrofit if it is deemed to be uncollectable.
- C. Payments made by a utility as invoiced by MACED if the utility is unable to subsequently collect the corresponding utility bills due on the location.

3. RECAPTURE OF LOSS

- 3.1 **A participating utility may submit losses for eligible costs to the Risk Mitigation Fund committee.** The committee will allocate funds from the Risk Mitigation Fund to pay the outstanding balance and interest costs paid by the utility during the inactive period if the committee determines that:

- A. a cost is eligible; and that
- B. the retrofit was carried out in accordance with the How\$martKY™ guidelines that were in effect at the time of the retrofit; and that
- C. the utility has exhausted all other appropriate avenues for collecting the loss..

- 3.2 If the committee determines that the conditions above have not been met, the committee will

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decide whether to approve recapture, approve partial recapture, or deny recapture.

- 3.3 For any uncollectable balance that is not approved for recapture by the committee, the utility remains liable to MACED for full repayment of the outstanding principal and interest per the terms of the Loan Agreement.

4. **DECISION MAKING**

- 4.1 Committee decisions will be made by simple majority of the members. Members may participate in meetings or be polled by phone, email or other means if not present. In any action of the committee involving one of the utility partners, that partner will abstain from voting. In the event of a tie, the president of MACED (or president's designee) will cast the deciding vote.

5. **RISK MITIGATION FUND BALANCE**

- 5.1 If the committee determines that the balance of the Risk Mitigation Fund is too low, the committee may increase the percentage allotment from each new retrofit. If the committee determines that non-compliance with program guidelines on the part of one or more utilities is materially responsible for a significant share of the losses, the committee may adjust the percentage paid by one or more utilities separately.
- 5.2 Initially, payment into the Risk Mitigation Fund will be 4% of each retrofit amount financed. This payment will be drawn from the 5% fee that the utilities are allowed to add to the cost of the retrofit by the KER Rider.
- 5.3 If the Risk Mitigation Fund balance exceeds \$100,000 and also exceeds 5% of the total outstanding retrofit balances, the committee may reduce the percentage paid in for each retrofit.
- 5.4 If the fund is determined by unanimous vote of the committee to no longer be needed and after all obligation of funds from the Risk Mitigation Fund have been met, any balance of grant funds used to initiate the Risk Mitigation Fund will be distributed according to the grant agreements through which those funds were secured. Remaining funds will be distributed for a purpose

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consistent with the goals of the How\$martKY™ program (below) in a manner to be determined by the committee.

6. APPEAL AND ARBITRATION

- 6.1 A utility may appeal any decision of the committee for reconsideration. Such reconsideration will include all the committee members and the president of MACED (or president's designee). The purpose of such reconsideration will be to reach a mutually agreeable solution. If an agreement cannot be reached upon reconsideration, all parties agree to the same arbitration measures outlined in the How\$martKY™ Memorandum of Agreement (MOA) that governs the relationship between the utilities and MACED.

The goals of the How\$martKY™ Program are to:

- *Help utility customers save energy and money through implementing retrofits to increase the energy efficiency of their homes;*
- *Provide a financing model that reduces or eliminates the barrier of up-front costs for these retrofits;*
- *Develop information, expertise and technical assistance resources for customers, contractors and utilities;*
- *Extend the reach and capacity of utilities to promote and facilitate energy savings by their customers.*